

## Message Text

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INFO USDEL JBUSMC RIO DE JANEIRO BRAZIL

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S E C R E T SECTION 1 OF 4 BRASILIA 2731

PASS AID

E. O. 11652: GDS

TAGS: MASS, BR

SUBJECT: AMBASSADOR'S ASSESSMENT OF U.S. SECURITY ASSISTANCE  
FOR FY 1976

REF: A. STATE 015489; B. STATE 033070

SUMMARY: BRAZIL'S INCREASING WEIGHT IN REGIONAL AND WORLD AFFAIRS, ITS IMPORTANCE TO THE U.S. ECONOMY AS A MAJOR MARKET, SOURCE OF RAW MATERIALS AND TARGET FOR INVESTMENT AND ITS POTENTIAL STRATEGIC ROLE IN A GENERALIZED CONVENTIONAL CONFLICT ARE ELEMENTS WHICH CREATE SIGNIFICANT U.S. INTEREST IN BRAZIL. SINCE THE BRAZILIAN ARMED FORCES ARE LIKELY TO CONTINUE TO BE THE PREDOMINANT POWER BASE FOR BRAZIL'S GOVERNMENT FOR THE FORESEEABLE FUTURE, A PRIMARY GOAL OF U.S. POLICY TOWARD BRAZIL SHOULD BE THE MAINTENANCE OF THE U.S. ORIENTATION OF THE ARMED FORCES, WHO, TO A LARGE DEGREE, VIEW BRAZIL'S SECURITY AND FOREIGN POLICY INTERESTS AS BEING COMPATIBLE WITH OUR

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OBJECTIVES.

THIS TARGET GROUP WILL CONTINUE TO BE IMPORTANT OVER THE NEXT SEVERAL YEARS AS BRAZIL ASSUMES A LARGER ROLE IN THE WORLD AND THE OPPORTUNITIES FOR DIVERGENCE FROM THE U.S. INCREASE. THE SECURITY ASSISTANCE PROGRAM IS A MAJOR TOOL FOR PRESERVING OUR ACCESS TO THE MILITARY SECTOR. A SECONDARY, BUT IMPORTANT, CONSIDERATION IS PROVISION OF SECURITY ASSISTANCE TO BRAZIL IS THE COMMERCIAL BENEFIT IT PROVIDES TO U.S. EQUIPMENT MANUFACTURERS FROM FMS CREDIT SALES. IT IS, FINALLY, IN OUR INTEREST TO PROMOTE THE REASONABLE MODERNIZATION OF THE BRAZILIAN ARMED FORCES BOTH FOR THEIR POSSIBLE USEFULNESS IN SELF-DEFENSE, AND, IN THE CASE OF ASW FORCES, FOR THEIR POSSIBLE CONTRIBUTION TO THE TOTAL FORCE CONCEPT. OPTIMUM PURSUIT OF THESE INTERESTS WILL REQUIRE NOT ONLY HIGHER FMS CREDIT LEVELS FOR BRAZIL THAN THOSE INDICATED BY CURRENT DOLLAR GUIDELINES FOR FY 1976 AND THE REMAINDER OF THE PLANNING PERIOD, BUT ALSO PROVISION OF A SUBSTANTIAL PROPORTION OF THOSE LEVELS IN DIRECT FMS CREDIT OR OTHER GUARANTEED CREDIT THAT WOULD REDUCE COSTS TO A COMPETITIVE LEVEL WITH THIRD COUNTRY OFFERS. END SUMMARY

1. BRAZIL OCCUPIES HALF THE LAND AREA OF SOUTH AMERICA, HAS A POPULATION OF OVER 100 MILLION, AND HAS EXPERIENCED A PERIOD OF VERY RAPID AND WELL-MANAGED ECONOMIC GROWTH SINCE 1968. IT HAS MAJOR QUANTITIES OF NATURAL RESOURCES, SOME OF THEM OF IMPORTANCE TO THE U.S., AND A LARGE AND EXPANDING INDUSTRIAL BASE. AS A RESULT, BRAZIL EXERCISES CONSIDERABLE INFLUENCE ON ITS NEIGHBORS, AND HAS DEMONSTRATED ITS POTENTIAL FOR EVENTUAL WORLD POWER STATUS. ITS LONG COASTLINE PARALLELS STRATEGIC SEA LINES OF COMMUNICATION, AND, AT ITS EASTERN EXTENSION, IS ONLY 1700 MILES FROM THE AFRICAN CONTINENT. BRAZIL IS A MAJOR MARKET FOR U.S. GOODS AND SERVICES, AND ATTRACTS A HIGH LEVEL OF U.S. INVESTMENT. DURING 1974, BRAZILIAN IMPORTS FROM THE U.S. REACHED \$3.2 BILLION, MAKING IT OUR SEVENTH LARGEST MARKET--SECOND ONLY TO MEXICO IN LATIN AMERICA, AND LARGER THAN FRANCE OR ITALY. U.S. DIRECT INVESTMENT IN BRAZIL THROUGH 1973 WAS \$3.2 BILLION, THE LARGEST IN ANY LATIN AMERICAN COUNTRY. IN TERMS OF GLOBAL U.S. INTERESTS, BRAZIL, AS IT CONTINUES TO REALIZE IS IMPRESSIVE POTENTIAL AND TO EXERT ITS GROWING INFLUENCE AS AN EMERGING WORLD POWER, WILL TAKE ON INCREASING WEIGHT IN THE COLLECTIVE RESOLUTION OF THE CRITICAL ISSUES OF WORLD  
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INTERDEPENDENCE. GIVEN ITS INTENTION TO SEEK A BETTER DISTRIBUTION OF WORLD WEALTH AND ECONOMIC POWER AND ITS IMPORTANT ROLE IN THE COLLECTIVE LDC EFFORT TO THIS END, BRAZIL WILL PROBABLY FIND ITSELF FREQUENTLY DIFFERING WITH THE U.S. IN INTERNATIONAL AND HEMISPHERIC FORUMS. BRAZIL'S STRONG RESISTANCE TO RESTRICTIONS ON ITS FREEDOM OF ACTION WILL, MOREOVER, MAKE IT A DIFFICULT ASSOCIATE ON GLOBAL, HEMISPHERIC AND BILATERAL ISSUES. THE BRAZILIAN ARMED FORCES PROVIDE THE POWER BASE FOR

THE CURRENT GOVERNMENT AS THEY HAVE FOR EACH ADMINISTRATION SINCE 1964 AND ARE LIKELY TO CONTINUE THEIR PIVOTAL POLITICAL ROLE FOR THE IMMEDIATELY FORESEEABLE FUTURE. THE ARMED FORCES THEREFORE ARE A PRIMARY TARGET GROUP IN MAINTENANCE OF U.S. INFLUENCE WITH BRAZIL IN SUPPORT OF BROAD U.S. OBJECTIVES.

2. OUR MILITARY RELATIONSHIP WITH BRAZIL STEMS PRINCIPALLY FROM OUR WORLD WAR II ALLIANCE WHEN BRAZILIAN AND U.S. TROOPS FOUGHT SIDE BY SIDE IN ITALY. SUBSEQUENTLY, THIS RELATIONSHIP WAS DEVELOPED INTO WHAT THE BRAZILIA MILITARY CONSIDER TO BE A "SPECIAL TIE" WITH THE U.S., THROUGH CONTINUED USE OF THE JOINT BRAZIL-U.S. MILITARY AND DEFENSE COMMISSIONS, AND ORF U.S. EQUIPMENT, DOCTRINE, AND MANAGEMENT AND ORGANIZATION TECHNIQUES. AFTER THE 1964 REVOLUTION, THIS RELATIONSHIP CONTINUED, BUT WAS RESTRICTED BY TWO FACTORS: STRICT LIMITATIONS ON U.S. MILITARY SALES TO LATIN AMERICA, AND THE DEVELOPMENT OF THE BRAZILIAN ARMED FORCES INTO A SELF-SUSTAINING INSTITUTION CAPABLE OF DEVELOPING ITS OWN DOCTRINE, MANAGEMENT AND TRAINING, AND SUPPLYING A GOOD DEAL OF ITS OWN MATERIAL REQUIREMENTS. AS A RESULT OF THE SALES LIMITATIONS, SOME 90 PERCENT OF BRAZIL'S FOREIGN MILITARY PURCHASES IN THE PERIOD 1966 TO 1970 WERE MADE FROM THIRD COUNTRY SOURCES. ALTHOUGH THE PAST THREE YEARS HAVE SEEN AN INCREASED SHARE OF U.S. SUPPLY OF BRAZIL'S EQUIPMENT NEEDS, THIRD COUNTRY SUPPLIERS RETAIN A SIGNIFICANT POSITION. WE RECOGNIZE THAT WE CANNOT BASE OUR MILITARY RELATIONSHIP ON EQUIPMENT SUPPLY AND ASSOCIATED LOGISTICS SUPPORT SO FIRMLY AS WE HAVE IN THE PAST. AS INDICATED ABOVE, BRAZIL WILL TEND TO REJECT ANY FORM OF RELATIONSHIP THAT INDICATES A CLIENT STATUS AS IT MOVES TOWARD WORLD STATUS. OUR OBJECTIVE SHOULD BE RATHER, TO FOSTER A MATURE, COOPERATIVE PARTNERSHIP THAT DEPENDS NOT SO MUCH ON ASSISTANCE IN THE DEVELOPMENT OF THE BRAZILIAN ARMED FORCES AS ON THE ACCEPTANCE OF MUTUALLY PERCEIVED STRATEGIC GOALS AND A CONVERGENCE OF NATIONAL INTERESTS.

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GIVEN THE POSSIBILITIES FOR DIVERGENCES NOTED IN PARAGRAPH 1, THIS WILL BE NO EASY TASKS, AND THROUGHOUT THE 1970'S AND, PERHAPS, BEYOND, THE READINESS OF THE U.S. TO MEET REASONABLE BRAZILIAN EQUIPMENT NEEDS WILL CONTINUE TO BE A MAJOR BUILDING BLOCK FOR THE MATURE RELATIONSHIP WITH THE BRAZILIAN MILITARY DESCRIBED ABOVE.

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3. THE U.S. DELEGATION, JBUSMC, IS THE PRINCIPAL U.S. DEFENSE AGENCY IN BRAZIL FOR MILITARY COOPERATION BETWEEN THE ARMED FORCES OF THE TWO COUNTRIES AND, IN NO ADDITIONAL MAAG ROLE, EXECUTES THE SECURITY ASSISTANCE PROGRAM IN BRAZIL. THE JOINT COMMISSION, CO-EQUALLY STRUCTURED AND TRADITIONALLY ESTABLISHED AND ACCEPTED IN BRAZIL, OFFERS UNIQUE BENEFITS TO THE U.S. THE U.S. DELEGATION ROLE SHOULD BE STRENGTHENED AND UTILIZED TO REALIZE ITS FULL POTENTIAL IN THE COOPERATIVE PARTNERSHIP SENSE REFERRED TO ABOVE. THE USDEL AND THE VERY ACTIVE AND VERY EFFECTIVE DAO, WORKING COOPERATIVELY, REINFORCE EACH OTHER TO ADVANTAGE.

4. THE GOALS OF THE SECURITY ASSISTANCE PROGRAM SHOULD, THEREFORE, BE (A) THE MAINTENANCE AND ENHANCEMENT OF THE U.S. - ORIENTED OUTLOOK OF THE BRAZILIAN ARMED FORCES, (B) PROMOTION OF COMMERCIAL BENEFITS TO THE U.S. WHERE APPROPRIATE AND (C) INsofar AS A U.S. STRATEGIC BASIS FOR THIS EXISTS (AND THIS IS UNDER STUDY IN THE JCS), IMPROVEMENT OF BRAZILIAN CAPABILITIES

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TOTAKE PART IN A "TOTAL FORCE" STRUCTURE, SUCCESS IN MOVING TOWARD THESE GOALS SHOULD ASSIST US IN DERIVING MILITARY, AND BY EXTENSION POLITICAL, BENEFITS FROM OUR RELATIONSHIP WITH BRAZIL,

SUCH AS BRAZILIAN COOPERATION IN THE SOLUTION OF INTERNATIONAL PROBLEMS (A PRIMARY U.S. INTEREST IN THE EMBASSY'S CASP SUBMISSION), THE POSSIBLE PROVISION OF BRAZILIAN BASES, FACILITIES AND TRANSIT RIGHTS

IN A GENERAL EMERGENCY INVOLVING PROTRACTED CONVENTIONAL OPERATIONS AND, UNDER THE SAME CIRCUMSTANCES, BRAZILIAN ASSISTANCE IN PROTECTING VITAL SEA LINES OF COMMUNICATIONS.

5. IN DEVELOPING OUR RECOMMENDATIONS FOR THE SECURITY ASSISTANCE PROGRAM FOR BRAZIL , WE HAVE ACTED ON CERTIN ASSUMPTIONS BASED ON OUR UNDERSTANDING OF CURRENT REALITIES AND TRENDS IN BRAZIL: THAT THE ARMED FORCES WILL CONTINUE TO EXERCISE MAJOR INFLUENCE IN INTERANAL POLITICS: THAT, WITHIN BUDGETARY LIMITATIONS, THE ARMED FORCES WILL CONINUE TO MODERNIZE THEIR EQUIPMENT AND ORGANIZATION: THAT THIRD COUNTRY SUPPLIERS WILL CONTINUE TO OFFER EQUIPMENT, INCLUDING THAT OF A SOPHISTICATED NATURE, TO BRAZIL AT ATTRACTIVE TERMS: AND THAT U.S.SUPPLIERS WILL BE UNABLE TO COMPETE WITH THESE TERMS WITHOUT THE GOVERNMENT SUPPORT THATTHRID COUNTRY SUPPLIERS ENJOY. THE PROGRAM AND PLAN AS RECOMMENDED WILL BE RESPONSIVE TO THE PRIMARY MODERNIZATION NEEDS OF THE BRAZILIAN ARMED FORCES AND IS BASED LARGELY ON COMMON PLANNING ACCOMPLISHED WITHIN THE JOINTBRAZIL-U.S. MILITARY COMMISSION. IN GENERAL, THE ARMY IS ORGANIZING INTO HIGHLY MOBILE BRIGADE ORGANIZATIONS AND ITS NEEDS ARE MODERN WEAPONS, COMMUNICATIONS AND TRANSPORTATION. EMPHASIS WILL BE ON AN ANTI-TANK MISSILE SYSTEM, AN AIR DEFENSE SYSTEM, NEW FAMILIES OF LIGHT AND SELF-PROPELLED ARTILLERY, ARMORED PERSONNEL CARRIERS, ENGINEER EQUIPMENT AND COMMUNICATIONS. ARMY PLANNING LOOKS TO THE ATTAINMENT OF IMPROVED CAPABILITIES IN BOTH INTERNAL AND REGIONAL STABILITY. TRAINING PROGRAMS WILL BE DESIGNED TO ACHIEVE AND SUSTAIN PROFICIENCY IN THE MAINTENANCE AND OPERATION OF THE MORE SOPHISTICATED EQUIPMENT. THE NAVY EFFORT IS DIRECTED PRINCIPALLY AT STRENGTHENING THE ANTI-SUBMARINE WARFARE (ASW) CAPABILITY. DESTROYERS AND HELICOPTERS WILL INCREASE BRAZILIAN CAPABILITES FOR ASW SCREENING AND CONVOY AND SEARCH AND DETECTION CAPABILITIES. STANDARD MISSILES AND MODERN TORPEDOES WILL CORRECT SERIOUS DEFICIENCIES IN THE ASW CAPABILITIES OF THENAVY. STRENGTHENING THE BRAZILIAN  
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MARINE CORPS IS ALSO A NAVY GOAL AND AMPHIBIOUS VEHICLES, ARMEMENT AND ENGINEERING EQUIPMENT WILL, ALONG WITH CONTINUED TRAINING AND EXERCISES, INCREASE THE CORPS' EFEECTIVENESS. THE BRAZILIAN AIR FORCE MODERNIZATION IS PLANNED TO PERMIT IT TO CARRY OUT ITS AIR DEFENSE AND SUPPORT ROLES. F-5. AIRCRAFT, AS ACQUIRED WITHIN THETIME FRAME OF THE PLAN, WILL SATISFY THE BAF REQUIREMENT FOR A GROUND SUPPORT AIRCRAFT AS WELL AS THE DEFENSE OF BASES AND AREAS. ACQUISITION OF HEAVY TRANSPORT AND ASW AIRCRAFT AND HELICOPTERS WILL AUGMENT THE BAF CAPABILITY TO SUPPORT THE ARMY AND THE NAVY IN THEIR PRINCIPAL ROLES

AS WELL AS TO INCREASE ITS ABILITY TO SUPPORT THE GOB ACTIVITIES IN DEVELOPING AREAS OF BRAZIL. THE BRAZILIAN ARMED FORCES ARE FULLY CAPABLE OF UTILIZING AND MAINTAINING THE PROPOSED LEVELS OF EQUIPMENT AND THE RECOMMENDED TRAINING LEVELS WILL ENHANCE THE CAPABILITIES OF THE BRAZILIAN ARMED FORCES TO OPERATE AND MANAGE THEIR FORCES.

6. THE SECURITY ASSISTANCE PROGRAM TAKES ON SOME ADDED SIGNIFICANCE AS A POLICY RESOURCE IN THE LIGHT OF THE PHASING-OUT OF THE USAID PROGRAM AND MISSION IN BRAZIL, SCHEDULED FOR COMPLETION IN FY 1977. THE AID PROGRAM IN BRAZIL HAS HAD SIGNIFICANT IMPACT ON THE COUNTRY'S SOCIAL AND ECONOMIC PROGRESS AND, PERHAPS MOST IMPORTANT IN TERMS OF SUSTAINED U.S. INFLUENCE, HAS PROVIDED TRAINING IN THE U.S. FOR THOUSANDS OF BRAZILIAN TECHNICIANS AND MANAGERS, MEMBERS OF THE INFLUENTIAL "TECHNOCRAT" CLASS, WHO, TO A SIGNIFICANT DEGREE, MANAGE THE EVERYDAY LIFE OF BRAZIL. THE SECURITY ASSISTANCE PROGRAM, MORE MODEST AND MORE NARROWLY FOCUSSED THAN THE USAID PROGRAM, NONETHELESS IS ANALOGOUS IN ITS EFFECTS IN THAT IT PROVIDES CHANNELS OF INFLUENCE TO THE MILITARY SECTOR. ALTHOUGH WE WILL CONTINUE OUR EFFORTS TO MAINTAIN A WIDESPREAD U.S. ORIENTATION AMONG BRAZILIAN TECHNOCRATS, THE END OF THE AID PROGRAM HERE HAS THE EFFECT OF INCREASING SOMEWHAT THE UTILITY OF THE SECURITY ASSISTANCE PROGRAM AS A VEHICLE FOR U.S. INFLUENCE.

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7. ECONOMIC ASSISTANCE GRANTED TO BRAZIL BY THIRD COUNTRIES HAS NOT BEEN OF MAJOR PROPORTIONS. OF THE CURRENT DONORS, ITALY PROVIDES ABOUT \$150,000 PER YEAR, GERMANY, DM 20,000, ENGLAND L650,000 AND CANADA \$CAN 2 MILLION. BRAZIL IS NOW NEGOTIATING WITH JAPAN, VENEZUELA AND SEVERAL ARAB COUNTRIES FOR ECONOMIC ASSISTANCE. SUBSTANTIAL INFLOWS FROM THIRD COUNTRIES ARE MORE LIKELY TO COME IN TERMS OF DIRECT INVESTMENT AND FINANCIAL LOANS RATHER THAN CONCESSIONAL ASSISTANCE. BRAZIL RECEIVED \$4.7 BILLION IN CAPITAL (NET) OF THIS TYPE FROM ALL SOURCES DURING CY 1974, AND PROSPECTS FOR CY 1975 ARE FOR CONTINUED INFLOWS OF THIS KIND, ALTHOUGH PROBABLY AT SOMEWHAT REDUCED LEVELS. CONCESSIONAL MILITARY ASSISTANCE HAS HAD AN INSIGNIFICANT IMPACT ON BRAZIL'S BALANCE OF PAYMENTS. BRAZIL RECEIVES SUBSTANTIAL AID FROM MULTILATERAL DONORS SUCH AS THE WORLD BANK AND THE IDB. THE IDB'S 1975-77 LOAN PROGRAM FOR BRAZIL FORESEES TOTAL POSSIBLE LOANS OF \$380 MILLION FOR 1975, AND \$595 MILLION FOR 1976-77, MAINLY IN THE FIELDS OF AGRICULTURE, ENERGY PRODUCTION, EDUCATION, PUBLIC HEALTH AND INDUSTRY. THE IBRD'S PROPOSED PROJECTS FOR THE NEW FEW YEARS IN BRAZIL FORESEE EXPANSION OF TOTAL POSSIBLE LOANS FROM AN ANNUAL AVERAGE

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OF \$200 MILLION TO A LEVEL OF APPROXIMATELY \$500 MILLION PER YEAR, MAINLY IN THE FIELDS OF TRANSPORTATION, INDUSTRY, ENERGY PRODUCTION, AND AGRICULTURE. ALTHOUGH THESE FIGURES ARE PROBABLY LARGER THAN THE ACTUAL VOLUME OF LOANS THAT WILL BE APPROVED, THEY ARE INDICATIVE OF BRAZIL'S CAPABILITY TO ABSORB MAJOR PROJECTS. THEY ALSO PUT INTO PERSPECTIVE THE GOVERNMENT'S RELATIVELY MINOR COMMITMENT OF RESOURCES TO MILITARY PROCUREMENT.

8. WE HAVE NO ESTIMATE FOR THE SCALE OF THIRD-COUNTRY MILITARY ASSISTANCE LIKELY TO BE OFFERED TO BRAZIL IN FY 76. SHOULD, HOWEVER, THE RECORD OF THE RECENT PAST--WHICH SAW, FOR EXAMPLE, MAJOR PURCHASES BY BRAZIL OF MILITARY AIRCRAFT FROM FRANCE AND SHIPS FROM ENGLAND AND GERMANY--BE INDICATIVE OF THE FUTURE, THIRD COUNTRY MILITARY SUPPLIES WILL CONTINUE AGGRESSIVELY TO PURSUE MAJOR EQUIPMENT SALES TO BRAZIL WITH THE ADVANTAGE OF ATTRACTIVE GOVERNMENT-SPONSORED CREDIT FACILITIES.

9. AS SET OUT IN POM SUBMISSIONS OF THE RECENT PAST, THE SECURITY ASSISTANCE PROGRAM REPRESENTED AN EFFECTIVE AND WELL-ORGANIZED PACKAGE FOR MEETING THE PRIORITY NEEDS OF THE BRAZILIAN ARMED FORCES AND MAINTAINING US INFLUENCE AS A SUPPLIER. THE APPROVED PROGRAMS PROVIDED SUFFICIENT ATTENTION TO NAVY REQUIREMENTS AND ARMY NEEDS TO KEEP THE US IN CONTACT WITH THE PROCUREMENT PLANS FOR THESE SERVICES, AND PLANNED FOR THE SALE OF F5E AIRCRAFT TO THE BRAZILIAN AIR FORCE. HOWEVER, THE

DECISION TO PROVIDE FMS CREDITS FOR THE SALE OF THE F5E OVER A THREE-YEAR PERIOD, WHILE WELCOMED BY US AS A BREAKTHROUGH IN TERMS OF OUR INFLUENCE ON BRAZILIAN PROCUREMENT PLANNING, HAS LESSENED THE EFFECT OF BOTH OUR FY 1975 AND 1976 PROGRAMS ON THE BRAZILIAN ARMY AND NAVY, AND HAS HAD A SIMILAR IMPACT ON OUR PLANNING FOR THESE SERVICES IN THE OUT YEARS. IF PROVISION OF FMS CREDITS FOR BRAZIL DURING FY 76 IS HELD TO THE LATEST GUIDANCE LEVEL OF \$60MILLION (REF B), THE EFFECT OF THE F5E SALE WOULD BE TO WEAKEN, INsofar AS THE OTHER BRAZILIAN SERVICES ARE CONCERNED, THE VERY MOMENTUM GENERATED BY THE F5E SALE. SALES GENERATED BY FMS CREDITS DURING THE CASP YEARS 1976/77 ARE BASIC TO THE SUCCESS OF THE BRAZIL FY 77-81 SECURITY ASSISTANCE PROGRAM AS SUBMITTED TO THE UNIFIED COMMAND. SINCE THE MAJOR AREA IN WHICH WE WILL MEET THIRD-COUNTRY COMPETITION IS THE EARLY PURCHASE OF EQUIPMENT IN CRITICAL MODERNIZATION FIELDS, FAILURE TO PROVIDE ADEQUATE FMS CREDIT LEVELS NOW CAN  
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ADVERSELY INFLUENCE LIKELY CASH AND CREDIT SALES FURTHER INTO THE PLANNING PERIOD. A BRAZILIAN DECISION TO PURCHASE US PATROL FRIGATES, FOR EXAMPLE, WOULD HAVE IMPORTANT ECONOMIC VALUE FOR THE US AND SUBSTANTIALLY IMPROVE THE POSITION OF THE US AS THE PREDOMINANT SOURCE OF MILITARY EQUIPMENT FOR BRAZIL. THE SAME CAN BE SAID WITH RESPECT TO THE OTHER PRIORITY AREAS SUCH AS ARMY AIR DEFENSE, AS OUTLINED IN PARAGRAPH 5. PROCUREMENT OF THESE ITEMS FROM THIRD-COUNTRY SOURCES, HOWEVER, WOULD GREATLY REDUCE OUR ABILITY TO CONTINUE TO REESTABLISH AND MAINTAIN THE US AS THE PRIMARY SOURCE OF MILITARY EQUIPMENT, TRAINING AND TECHNOLOGY FOR BRAZIL, AND IN TURN, OUR ABILITY TO FULFILL THE MAJOR GOAL OF MAINTAINING THE US ORIENTATION OF THE ARMED FORCES.

10. WE SHOULD, THEREFORE, MOVE TO CONSOLIDATE THE POSITION WE GAINED THROUGH THE F5E/C130 SALE BY PROVIDING SUFFICIENT ADDITIONAL FMS CREDIT SALES TO ASSURE THE MAINTENANCE OF EXISTING RELATIONSHIPS AND THE ACHIEVEMENT OF OUR OBJECTIVES. I BELIEVE THAT, AS INDICATED IN THE MISSION'S POM AND CASP SUBMISSIONS, FMS CREDIT LEVELS FOR BRAZIL ALONG THE FOLLOWING LINES ARE NECESSARY:

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\$95M \$100M \$100M \$100 M \$100M \$100M

WE ESTIMATE THAT BRAZIL'S OVERALL MILITARY MODERNIZATION REQUIREMENTS, AS RELATED TO THE JSOP OBJECTIVE FORCE, WILL INVOLVE THE EXPENDITURE BY BRAZIL OF ABOUT \$1.5 BILLION OVER THE NEXT DECADE. WE BELIEVE, FURTHER, THAT THE BRAZILIAN ARMED FORCES ARE FIRMLY COMMITTED TO CARRYING OUT THIS MODERNIZATION, AND THAT, SUBJECT TO A PROLONGED AND DRASTIC SHOWDOWN IN THE NATIONAL ECONOMY,



THEY WILL DO SO. ALLOCATION OF FMS CREDIT RESOURCES AT THE  
LEVEL RECOMMENDED ABOVE DURING THE PLANNING PERIOD WILL SERVE  
US POLITICAL, COMMERCIAL AND SECURITY OBJECTIVES IN BRAZIL.  
FURTHERMORE, AS NOTED IN THE FY 76-77 CASP SUBMISSION, I AM  
CONCERNED THAT THE FMS CREDIT OFFERED TO BRAZIL BE AT A SUFFI-  
CIENTLY LOW CREDIT COST TO BE FULLY COMPETITIVE WITH THIRD-  
COUNTRY OFFERS. IF GUARANTEED PRIVATE CREDIT COSTS CONTINUE  
TO REACH THE 10-11 PERCENT LEVEL, I FEAR THAT US INDUSTRY, WITHOUT  
THE GOVERNMENT SUPPORT IN TERMS OF GUARANTEES AND FAVORABLE  
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CREDIT AND DELIVERY SCHEDULES ENJOYED BY MANY THIRD COUNTRY  
SUPPLIERS, WILL NOT BE ABLE EFFECTIVELY TO COMPETE FOR MAJOR  
SALES. I THEREFORE BELIEVE THAT WE SHOULD PROVIDE A SUBSTANTIAL  
PART OF FMS CREDIT LEVELS WITH DIRECT FMS CREDIT, OR DEVELOP  
ANOTHER FORMULA FOR MORE COMPETITIVE CREDIT COSTS THAN THOSE  
LIKELY TO BE OFFERED THROUGH PRIVATE MEANS. IT IS NOT A QUES-  
TION OF WHAT THE GOB CAN AFFORD BUT RATHER WHAT THE GOB IS  
LIKELY TO BE OFFERED BY US COMPETITORS.

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11. ANOTHER IMPORTANT ELEMENT OF THE SECURITY ASSISTANT PROGRAM, THOUGH MODEST IN COST, IS THE TRAINING PROGRAM. THE VALUE OF THE TRAINING PROGRAM TO THE BRAZILIAN ARMED FORCES, AND TO THE U.S. EFFORT TO MAINTAIN CHANNELS OF INFLUENCE TO THEM, EXCEEDS ITS NOMINAL COST IN GRANT FUNDS. THE CURRENT PLANNING LEVEL OF \$1 MILLION FOR THIS ACTIVITY IS NECESSARY TO PERMIT CONTINUED EFFORTS ON OUR PART TO MAINTAINING THE U.S. ORIENTATION OF THE YOUNGER OFFICERS OF THE BRAZILIAN ARMED FORCES. THE PROGRAM IS USED IN HIGH PRIORITY, HIGH IMPACT TECHNICAL AND PROFESSIONAL ASSISTANCE, AND DEMONSTRATES CONTINUING U.S. INTEREST IN, AND CONCERN FOR, THE DEVELOPMENT OF THE BRAZILIAN MILITARY FORCES. THE TRAINING COURSES ARE CLOSELY ALIGNED WITH BRAZILIAN PARTICIPATION IN THE FMS PROGRAM AND ARE AN EFFECTIVE INFLUENCE ON PLANNING FOR PURCHASE, OPERATION AND MAINTENANCE OF MILITARY EQUIPMENT. ORIENTATION VISITS, WHICH BRING TO THE U.S. THE CREAM OF THE PROFESSIONAL MILITARY CLASS, HAVE SIGNIFICANT PROFESSIONAL IMPACT, AND MOREOVER, GIVE THE TRAINEE AN EXPOSURE TO U.S. GOVERNMENT, CULTURE AND POLITICAL SYSTEMS. THE INCREASED  
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MAP-T LEVEL WILL, HOWEVER, DO NO MORE THAN COMPENSATE TO SOME EXTENT FOR REAL LOSSES SUFFERED THROUGH INFLATION. GIVEN BRAZIL'S GROWING INTEREST TO THE U.S. IN GLOBAL TERMS AND THE POSSIBILITIES FOR DIFFERENCES WITH THE U.S. DERIVING FROM BRAZIL'S PURSUIT OF A WORLD ROLE, I AM ESPECIALLY INTERESTED THAT WE INCREASE OUR INFLUENCE AMONG THE YOUNGER, MIDDLE GRADE OFFICERS. WE SHOULD RECOGNIZE THAT THE HIGHLY INFLUENTIAL GROUP OF SENIOR MILITARY OFFICERS WHOSE BONDS WITH THEIR U.S. COUNTERPARTS WERE FORGED IN THE HEAT OF BATTLE IS PASSING FROM THE SCENE. YOUNGER BRAZILIAN OFFICERS DO NOT SHARE THESE BONDS, AND, IN MANY CASES, HARBOR RESERVATIONS TOWARD THE U.S., STEMMING NOT ONLY FROM AN EMOTIONAL REACTION TO CRITICISM OF BRAZIL FROM U.S. SOURCES, BUT ALSO FROM IGNORANCE OF THE COMPLEX AND CHANGING SOCIAL AND POLITICAL FABRIC OF THE U.S. FURTHERMORE, EVEN THOUGH THE BRAZILIAN MILITARY ESTABLISHMENT IS ESSENTIALLY HIERARCHICAL, THE PLAYOUT OF THE POLITICAL DECOMPRESSION PROCESS OR SOME SEVERE ECONOMIC FAILURE COULD TEMPT THE YOUNGER OFFICERS TO SEEK A POLITICAL ROLE (THE PORTUGUESE MFA IS RELEVANT). I AM AWARE THAT MAP-T ACTIVITIES, WITHIN THEIR FUNCTIONAL GOAL OF CONTRIBUTING TO THE SECURITY ASSISTANCE PROGRAM, CANNOT AND SHOULD NOT BE DIVERTED TO OTHER PURPOSES. I BELIEVE, HOWEVER, THAT WE CAN GO SOME WAY TOWARD ACCOMPLISHING OUR OBJECTIVE TO GET IN BETTER TOUCH WITH YOUNGER OFFICERS THROUGH INCREASED EXCHANGE ACTIVITIES. I RECOMMEND THAT CONSIDERATION BE GIVEN TO (A) INCREASING AND EXPANDING OUR PARTICIPATION WITH THE BRAZILIAN

ARMED FORCES IN PERSONNEL AND INSTRUCTOR EXCHANGE PROGRAMS AND (B) THE EXPANSION OF THE ARMY FOREIGN AREA OFFICER PROGRAM FOR BRAZIL AND INSTITUTION OF SIMILAR PROGRAMS FOR THE NAVY AND AIR FORCE. I BELIEVE THERE ARE ALSO SUBSTANTIAL POSSIBILITIES FOR EXERTING U.S. INFLUENCE ON THE BRAZILIAN ARMED FORCES THROUGH THE EXCHANGE OF RESEARCH AND DEVELOPMENT AND TECHNICAL INFORMATION AND I URGE THAT THE DEPARTMENT GIVE EARLY AND FAVORABLE CONSIDERATION TO EXECUTION OF THE PENDING MASTER AGREEMENT ON THIS ACTIVITY WITH BRAZIL.

12. THE SECURITY ASSISTANCE PROGRAM IS, THEREFORE, A MAJOR PROGRAM IN OUR EFFORTS TO KEEP AND EXPAND CHANNELS OF INFLUENCE TO A VERY IMPORTANT BRAZILIAN LEADERSHIP GROUP. THROUGH THE NEW INITIATIVES OUTLINED ABOVE, I HOPE TO MAKE IT MORE USEFUL AND EFFECTIVE AS A POLICY RESOURCE. I RECOGNIZE THAT THE RECOMMENDED PROGRAM IS AMBITIOUS AND WILL BE DIFFICULT TO ACCOMPLISH.

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I BELIEVE, HOWEVER, THAT ACTION NOW WILL BRING FUTURE DIVIDENDS.  
CRIMMINS

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NNN

## Message Attributes

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